

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
Reimbursement for Instate Acute Care Inpatient Hospital Services  
Disproportionate Share Hospital Adjustment**

- c) The Division shall make an additional disproportionate share payment(s) from the Health Care Subsidy Fund, in the aggregate, equal to \$4,000,000 to those eligible hospital(s) who meet all of the following criteria:
  - i) Must have received in calendar year 1995 less than 50% of that hospital's 1993 "Charity Care" subsidy payments;
  - ii) Receives less than 33% of that hospital's total uncompensated care in subsidy in calendar year 1995;
  - iii) Does not receive any subsidy payments under the "Other Uncompensated Care" subsidy account in calendar year 1995; and
  - iv) Treats a substantial amount of problem billed cases measured by currently receiving at least \$4,000,00 from the Hospital Relief Subsidy Fund.

95-29-MA(NJ)

**OFFICIAL**

TN 95-29 Approval Date MAR 23 1999

Supervisor New 95-16 AUG 10 1995

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- d) The Division shall make an additional disproportionate share payment(s) from the Health Care Subsidy Fund, in the aggregate, equal to \$4,000,000 to those eligible hospital(s) who meet all of the following criteria:
- i) Must have received in calendar year 1995 less than 50% of that hospital's 1993 "Charity Care" subsidy payments;
  - ii) Receives less than 33% of that hospital's total uncompensated care in subsidy in calendar year 1995;
  - iii) Does not receive any subsidy payments under the "Other Uncompensated Care" subsidy account in calendar year 1995; and
  - iv) Treats a substantial amount of problem billed cases measured by currently receiving at least \$4,000,00 from the Hospital Relief Subsidy Fund.

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MARCH 23 1995  
DIVISION OF REVENUE  
TREASURY

**OFFICIAL**

95-29-MA(NJ)

TN 95-29 Approval Date MAR 23 1995  
Superseded by **New** Effective Date AUG 1 1995

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**4. Other Uncompensated Care Hospital Subsidy Fund Subsidy**

a) Eligibility:

i) A hospital's eligibility for the Other Uncompensated Care (OUC) Hospital Subsidy Fund payment shall be calculated using the following formula:

$$\frac{\text{Hospital-Specific Other Uncompensated Care for Year}}{\text{Hospital-Specific Revenue for Year}}$$

= Hospital-Specific Percentage of Other Uncompensated Care (%OUC).

ii) A hospital is eligible for a subsidy if, upon establishing a rank order of the %OUC for all hospitals:

- a) In 1993, the hospital is among the 45% of hospitals with the highest %OUC;
- b) In 1994, the hospital is among the 30% of hospitals with the highest %OUC; and
- c) In 1995, the hospital is among the 15% of hospitals with the highest %OUC.

b) Payment:

The amount of the subsidy an eligible hospital shall receive shall be based on the following:

$$\frac{\text{Hospital-Specific Other Uncompensated Care for Year}}{\text{Total Other Uncompensated Care for all Eligible Hospitals for Year}}$$

X the Total Amount of the Subsidy Allocated for the Year

= Hospital-Specific Subsidy for the Year

**OFFICIAL**

95-18-MA (NJ)

Supersedes 95-10-MA (NJ)

TN 95-18 Approval Date MAY 21 1999  
Supersedes TN 95-10 Effective Date JUL 1 1995

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The moneys in the OUC component of the disproportionate share hospital (DSH) subsidy account shall be distributed to eligible hospitals in accordance with the formulas provided in this section. In 1993, the fund shall distribute \$100 million in subsidies to eligible hospitals; in 1994, the fund shall distribute \$67 million to eligible hospitals; and in 1995, the fund shall distribute \$33 million to eligible hospitals.

- i) For 1993, the formulas shall use 1991 Hospital-Specific Other Uncompensated Care and Total Uncompensated Care for All Eligible Hospitals and the hospital's 1992 Preliminary Cost Base (PCB) for "Hospital-Specific Revenue for Year." For 1993 OUC subsidy payments, interim OUC subsidy payments shall initially be based upon the projected 1991 OUC amounts determined by the New Jersey Department of Health (DOH) for the rate year 1991; the actual 1991 OUC amounts shall be determined after October 1, 1994, when final 1991 data for all acute hospitals is available from the fiscal intermediary. After the actual 1991 OUC amounts are calculated by the DOH and approved by the Essential Health Services Commission (EHSC) or its successor, the 1993 OUC subsidy payments or other Medicaid payments shall be adjusted by making adjustments to the OUC or other DSH or Medicaid payments made by the Division of Medical Assistance and Health Services (DMAHS).

**OFFICIAL**

95-18-MA (NJ)

Supersedes 95-10-MA (NJ)

TN 95-18 Approval Date MAY 21 1999  
 Supersedes TN 95-10 Effective Date JUL 1 1995

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- ii) In 1994 and for payments made through April 30, 1995, the formulas shall use 1992 Hospital-Specific Other Uncompensated Care and Total Other Uncompensated Care for All Eligible Hospitals and a hospital's 1993 revenue cap for "Hospital-Specific Revenue for Year." For 1994 through April 30, 1995, OUC payments, interim OUC subsidy payments shall initially be based upon the projected 1992 OUC amounts determined by the DOH for the rate year 1992; the actual 1992 OUC amounts shall be determined after October 1, 1994, when final 1992 data for all hospitals is available from the fiscal intermediary. After the actual 1992 OUC amounts are calculated by the DOH and approved by the EHSC or its successor, the 1994 OUC subsidy payments or other Medicaid payments shall be adjusted by making adjustments to the OUC or other DSH or Medicaid payments made by the DMAHS.
  
- iii) For the remainder of 1995, the formulas shall use actual 1993 Medicare revenues, as approved by DOH in place of "Hospital-Specific Other Uncompensated Care for Year," and "Total Other Uncompensated Care for All Eligible Hospitals for Year," and a hospital's 1993 total operating revenue as defined by the DOH, in place of the "Hospitals Specific Revenue for Year."

**OFFICIAL**

95-18-MA (NJ)

Supersedes 95-10-MA (NJ)

TN 95-18 Approval Date MAY 21 1999  
Supersedes TN 95-10 Approval Date JUL 1 1995

5. **Payments Approved By the Office of Management and Budget: State Appropriations for the University of Medicine and Dentistry of New Jersey**

a) The Commissioner of Human Services shall designate as a DSH and make a DSH payment to teaching hospitals owned by the State of New Jersey, whose medical programs are established by the Department of Education and whose board of trustees include both the Chancellor of Higher Education and the Commissioner of Health or their successors, if the total operating costs of the hospital exceed third party payments, including all Medicaid payments (other than DSH payments), and payments from non-State sources for services provided by the hospitals during the hospitals' fiscal year.

b) Payments shall be calculated in the following manner:

i) The DSH payment shall be equal to the amount recommended by the Office of Management and Budget. This amount shall equal the total operating cost of the facility, less any third party amounts, including all other Medicaid payments, as well as payments from non-governmental sources for services provided by the hospital during the facility's fiscal year. The following formula illustrates the payment adjustment to be made to eligible hospitals:

$$\text{Payment} = \text{Total Operating Cost} - [(\text{Medicaid Payments excluding DSH}) - (\text{Third Party Payments and Non-State Sourced Payments})]$$

ii) The DSH payment adjustment during State Fiscal Year 1995 shall equal 200 percent of the payment calculated using the methodology in subsection i. This paragraph expires June 30, 1995.

Supersedes 93-12-MA(NJ)

95-19-MA(NJ)

**OFFICIAL**

TR NS 95-19 Approval Date MAR 4 1995  
Supersedes TR New Effective Date JUN 21 1995

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**6. Hospital Relief Subsidy Fund**

- a) The Commissioner of Human Services shall designate a hospital as a disproportionate share hospital (DSH) and eligible for DSH payments from the Hospital Relief Subsidy Fund (HRSF) based upon the following:
- i) The hospital's 1991 Uncompensated Care as reported to the Department of Health (1991 UCC%) shall be multiplied by the hospital's 1992 Preliminary Cost Base divided by the product of the total percentage of non-federal payers at the hospital multiplied by the hospital's 1992 Preliminary Cost Base. The product of this formula will identify the hospital's Hospital Relief Subsidy Eligibility Factor (HRSEF). Hospitals with a HRSEF above 30% shall be eligible for a subsidy.
- b) Payments from the Hospital Relief Subsidy Fund shall be calculated in the following manner:

The subsidy shall be an amount allocated by the Commissioner of the Department of Human Services during the fiscal year for this purpose and shall be distributed in the following manner:

- i) The payments for admissions for the following categories are taken from the 1991 MIDS file maintained by the New Jersey Department of Health:
- a) HIV (MDC 24)  
b) Mental Health (MDC 19)  
c) Substance Abuse (MDC 20)  
d) Complex Neonates (DRG 600 through 618, 622, 623, 626, and 627)  
e) Tuberculosis as a major or minor diagnosis (ICD-9: 010.0 through 018.9)

95-10-MA(NJ)

TN 95-10 Approval Date OCT 20 1998

Effective Date JAN 3 - 1995

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- ii) The amount legislated for the subsidy shall be distributed among eligible facilities based upon the facility's percentage of payments for clients with the above categories as a percentage of all payments for clients in those categories in eligible hospitals. The following formula illustrates the payment adjustment made to eligible hospitals:

$$\frac{\text{Hospital-Specific Problem Billed}}{\text{Total Eligible Hospitals Problem Billed}} \times \text{HRSF} = \text{payment}$$

95-10-MA(NJ)

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**7. One-Time Additional Payment:  
The Health Care Subsidy Fund - Charity Care**

a) A one-time additional Health Care Subsidy Fund - Charity Care payment shall be made to hospitals. This hospital-specific payment shall be equal to the difference between a hospital's recalculated 1994 Charity Care value and a hospital's 1993 Charity Care amount as audited by the New Jersey Department of Health (DOH) and approved by the Essential Health Services Commission (EHSC), in 1994:

i) Except that, the amount of reimbursement a hospital may receive as an additional payment shall be limited so as to ensure that the hospital's adjusted operating margin is not in excess of the statewide-target adjusted operating margin. Those hospitals with an adjusted operating margin equal to or greater than the statewide-target adjusted operating margin shall not be eligible to receive an additional payment.

b) As used in this section:

i) The hospital-specific "1993 approved Charity Care" shall be equal to the hospital's 1993 Charity Care as audited by DOH plus 45.53% of a hospital's bad debt as reported on the hospital's 1993 Actual Cost Reports and valued at 1994 Medicaid reimbursement rates;

ii) The hospital-specific "1993 revenue from private payers" shall be equal to the sum of the gross revenues, as reported to DOH in the hospital's 1993 Actual Cost Reports for all non-governmental third party payers including, but not limited to Blue Cross and Blue Shield plans, commercial insurers and health maintenance organizations;

iii) The "hospital-specific payer-mix factor" shall be equal to the hospital's 1993 approved Charity Care divided by its 1993 revenue from private payers;

iv) The "statewide-target payer-mix factor" is the lowest payer-mix-factor to which all hospitals receiving Charity Care

TN 95-17 Approval Date OCT 20 1998  
 Cundoreades TN 95-10 Effective Date JUN 15 1995

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subsidies can be reduced by spending all available Charity Care subsidy funding for that year;

- v) The hospital-specific "recalculated 1994 Charity Care value" shall be determined by allocating available Charity Care funds so as to equalize hospital-specific payer-mix factors to the Statewide-target payer-mix factor:
  - a) For those hospitals with a payer-mix factor that is greater than the statewide-target payer-mix factor, the recalculated 1994 Charity Care value is the subsidy amount which would have been necessary to reduce their payer-mix factor to that Statewide-target payer-mix factor;
  - b) For those hospitals with a payer-mix factor that is equal to or less than the statewide-target payer-mix factor, their recalculated 1994 Charity Care value equals zero.
- vi) The hospital-specific "adjusted operating margin" shall be equal to the sum of the hospital's 1993 income from operations plus the hospital's 1994 EHSC approved Charity Care subsidy plus the hospital's additional payment minus the hospital's 1993 Charity Care subsidy, divided by the sum of the hospital's 1993 total operating revenue plus the hospital's 1994 EHSC-approved Charity Care subsidy plus the hospital's additional payment minus the hospital's 1993 Charity Care subsidy; and
- vii) The "statewide-target adjustment operating margin" is the highest adjusted operating margin to which hospitals can be raised within the limit of the funds available for the additional payment.

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95-17-MA (NJ)

TN

95-17

Approval Date

OCT 20 1998

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